

Message Text

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ORIGIN TRSE-00

INFO OCT-01 AF-10 ISO-00 EB-08 AID-05 L-03 IO-14
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USIA-15 XMB-04 OPIC-06 SP-02 LAB-04 SIL-01 OMB-01
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DRAFTED BY TREAS/IDB/MHENNESEY
APPROVED BY EB/IFD/ODF:AFWATSON
TREAS/IDB/BURKE
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EB/IFD/ODF:FVNASH
AF/EPS:DMCCLELLAND
-----113846 150758Z /11
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FM SECSTATE WASHDC
TO AMEMBASSY ABIDJAN
INFO AMEMBASSY KIGALI

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E.O. 11652: N/A

TAGS:AFDF, EFIN, EAID

SUBJECT: AFRICAN DEVELOPMENT FUND LOAN FOR RWANDA
RAMBA-GASEKE TEA PROJECT

1. AFRICAN DEVELOPMENT FUND (AFDF) BOARD OF DIRECTORS IS SCHEDULED TO CONSIDER 2.2 MILLION SUPPLEMENTARY LOAN FOR RWANDA RAMBA-GASEKE TEA PROJECT AT MARCH 16 MEETING. REQUEST EMBASSY CONVEY FOLLOWING U.S. POSITION TO AFDF EXECUTIVE DIRECTOR J.B. WRIGHT FOR USE IN PRESENTING U.S. VIEWS TO BOARD OF DIRECTORS.

2. USG FEELS THAT BOARD OF DIRECTORS SHOULD POSTPONE
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CONSIDERATION OF LOAN PENDING DETAILED ANALYSIS OF WEAKNESSES IN ORIGINAL COST ESTIMATES. WE ALSO REGARD A REVIEW OF PROJECT MANAGEMENT PROCEDURES AS NECESSARY IN ORDER TO INSURE THAT INADEQUACIES WHICH MAY HAVE LED TO THE COST OVERRUN HAVE BEEN IDENTIFIED AND CORRECTED.

3. ORIGINAL COST ESTIMATE FOR TEA PROJECT TOTALED 5

MILLION FVA, WITH THE FACTORY COMPONENT ESTIMATED AT 1.89 MILLION FVA. THESE ORIGINAL COST ESTIMATES INCLUDED 8 PERCENT ALLOWANCE FOR PHYSICAL CONTINGENCIES AND AN

ALLOWANCE FOR EIGHT PERCENT ANNUAL PRICE ESCALATION. FACTORY WAS TO BE CONSTRUCTED IN YEARS FOUR THROUGH SEVEN OF PROJECT LIFE (1978-1981).

4. IT APPEARS THAT PROJECT IMPLEMENTATION IS ON SCHEDULE. BIDS WERE SOLICITED FOR FACTORY CONSTRUCTION IN YEAR THREE OF PROJECT LIFE. HOWEVER LOWEST BID FOR FACTORY CONSTRUCTION (3.95 MILLION FVA) WAS MORE THAN DOUBLE THE ORIGINAL ESTIMATE OF 1.89 MILLION FVA. WITH ALLOWANCES FOR FUTURE PRICE ESCALATION, FINAL COST OF FACTORY IS NOW ESTIMATED TO TOTAL 4.35 MILLION FVA.

5. WHILE AFDF SUPPLEMENTARY LOAN DOCUMENT OUTLINES CURRENT COST ESTIMATES, IT DOES NOT ACCOUNT FOR DISCREPANCIES BETWEEN BID PRICE AND THE ORIGINAL ESTIMATE OF COSTS. NOR DOES DOCUMENT OFFER ASSURANCES THAT AREAS OF WEAKNESS IN PROJECT ADMINISTRATION HAVE BEEN IDENTIFIED AND RESOLVED. WE CONSIDER CLARIFICATION OF THESE POINTS NECESSARY IN ORDER TO DETERMINE WHETHER PROJECT WARRANTS ADDITIONAL FUNDING. IF LOAN SHOULD COME TO VOTE BEFORE NECESSARY CLARIFICATIONS ARE OFFERED, REQUEST THAT THE DIRECTOR REPRESENTING THE UNITED STATES ABSTAIN FROM

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CASTING OUR VOTES.

6. FYI KIGALI: U.S. CONCERN IS GENERATED PRINCIPALLY BY INABILITY TO BASE DECISION ON AFDF MANAGEMENT'S INCOMPLETE DOCUMENTATION. U.S. POSITION SHOULD NOT BE CONSTRUED AS OBJECTION TO PROJECT. VANCE

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Message Attributes

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